

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-01 INR-07 INT-05 L-02 LAB-04 NSAE-00

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TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8088

INFO ALL EC CAPITALS 221

AMEMBASSY BERN

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY HELSINKI

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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E.O. 11652: NA

TAGS: ETRD GATT EEC FI CZ

SUBJECT: GATT ISSUES WITH EASTERN EUROPEAN COUNTRIES: FINNISH

FREE TRADE AREAS AND THE ROMANIAN TARIFF

REF: STATE 280961

1. BEGIN SUMMARY: THE COMMISSION AGREES WITH THE SUBSTANCE OF OUR APPROACH TO THE FINNISH TRADE AGREEMENTS BUT HAS SOMEWHAT DIFFERENT IDEAS ON TACTICS. IT IS LOATHE TO BE VERY CRITICAL AT EARLY STAGES OF THE EXAMINATION BUT WILL CONSIDER OUR VIEWS. ON THE

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OTHER HAND, IT REQUESTS INFORMATION ON THE US APPROACH TO THE

CURRENT GATT EXAMINATION OF THE ROMANIAN TARIFF WHERE THE COMMUNITY FEARS THAT WE ARE LEAVING IT EXPOSED OUT FRONT. END SUMMARY.

2. FINNISH TRADE AGREEMENTS: THE MISSION DISCUSSED AT LENGTH THE INFORMATION CONTAINED IN REFTEL WITH KLEIN, COMMISSION DIRECTOR FOR EASTERN EUROPEAN RELATIONS AND HIS DEPUTY, KAWAN, WHO HANDLES THESE MATTERS IN GENEVA. AFTER WE HAD SET FORTH US VIEWS, THE COMMISSION OFFICIALS STATED THAT THEY AGREED WITH THE SUBSTANCE OF THE US POSITION, I.E. THAT THE FINNISH FREE TRADE AREA AGREEMENTS WERE NOT CONSISTENT WITH GATT, AND THAT GATT ACCEPTANCE OF THEM WOULD CAUSE SERIOUS PROBLEMS IN THE MTN. HOWEVER, THEY DID NOT FEEL THAT THEY COULD ADOPT A VERY NEGATIVE POSITION AT FIRST MERELY ON THE BASIS OF THE TEXT OF THE AGREEMENTS, PARTICULARLY SINCE THE AGREEMENTS FOLLOW VERY CLOSELY THE TEXT OF THE EC-FINNISH AGREEMENT. THEY ARE NOT WILLING TO STATE THAT THE EC ACCEPTS THE FINNISH AGREEMENTS ONLY BECAUSE OF THE SPECIAL CIRCUMSTANCE THAT FINLAND LIES NEXT DOOR TO THE MOST POWERFUL COMMUNIST COUNTRY IN THE WORLD. CONSEQUENTLY, THE ONLY ALTERNATIVE OPEN IS TO DESCRIBE THE AGREEMENTS AS "SUI GENERIS." TACTICALLY, THIS WOULD MEAN TRYING TO ESTABLISH THEIR NATURE AFTER THEY HAD HAD SOME TWO OR THREE YEARS TO OPERATE. THE PRINCIPAL DIFFERENCE BETWEEN THE US AND THE COMMISSION'S POSITION IS THEIR SEEMING UNWILLINGNESS TO BE AS SEARCHING IN THE ORIGINAL EXAMINATION AS THE US.

3. WE ARGUED THAT THERE WERE STRONG REASONS FOR AN INITIAL NEGATIVE TONE: IF THE GATT WAITS THREE YEARS BEFORE GIVING ANY NEGATIVE REACTION, AUSTRIA, AND PERHAPS EVEN THE COMMUNITY, WILL DURING THAT TIME BE LEFT WITH NO GATT COVER TO RESIST SUCH AGREEMENTS. CONSEQUENTLY, AN INITIAL NEGATIVE IMPRESSION WAS IMPORTANT TO AVOID PROLIFERATION AND TO HAVE SOME EFFECT IN MTN DISCUSSIONS. THE COMMISSION OFFICIALS AGREED THAT THIS WAS A MOST IMPORTANT CONSIDERATION AND SAID THEY WOULD SEE IF THEY COULD MANIPULATE THEIR "SUI GENERIS" ARGUMENT IN SUCH A WAY THAT THEY COULD BE MORE FORWARD IN THE ORIGINAL EXAMINATION.

4. GATT EXAMINATION OF THE ROMANIAN TARIFF: KAWAN STATED THAT LIMITED OFFICIAL USE

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US EFFORTS TO AVOID BEING ISOLATED IN A SERIOUS EXAMINATION OF THE FINNISH FREE TRADE AREA ASSOCIATIONS WAS PARALLELED BY THE COMMUNITY'S DESIRE TO AVOID BEING ISOLATED IN A SERIOUS EXAMINATION OF THE ROMANIAN TARIFF. AT THE LAST WORKING PARTY ON THE ROMANIAN TARIFF, KAWAN SAID HE HAD NARROWLY AVERTED A WORKING PARTY VERDICT, IN WHICH THE US WOULD HAVE CONCURRED, THAT THE ROMANIAN TARIFF " HAS A REAL ROLE." HOWEVER, THE WORKING PARTY HAD FINALLY RECESSED ON THE NOTE THAT MANY MEMBERS NEEDED

SUPPLEMENTARY TIME FOR REFLECTION ON THE ROLE OF THE ROMANIAN TARIFF.

5. THE WORKING PARTY WILL MEET AGAIN IN LATE FEBRUARY. AT THAT TIME. KAWAN BELIEVES THAT THREE QUESTIONS WILL BE IMPORTANT: (1) WHAT IS THE ROLE OF THE ROMANIAN TARIFF; (2) WILL THE ROMANIANS TRY TO RENEGOTIATE THEIR PROTOCOLS OF ACCESSION TO THE GATT (I.E., THEIR IMPORT CONCESSIONS)?, AND (3) WHAT EFFECT DO THESE DECISIONS HAVE ON NEGOTIATIONS IN THE MTN;

6. IF THE ROMANIAN TARIFF IS CONCEDED TO HAVE A REAL ROLE KAWAN BELIEVES THE ROMANIANS WILL STATE THAT THEY WOULD BE JUSTIFIED IN RENEGOTIATING THEIR TERMS OF ACCESSION AND THEY WILL CLAIM THAT TARIFF CONCESSIONS BY THEM ARE VALID FOR MTN NEGOTIATIONS.

7. THE COMMISSION BELIEVES IT A SERIOUS MISTAKE FOR THE WORKING PARTY TO AGREE THAT THE ROMANIAN TARIFF PLAYS A REAL ROLE, BUT IT HAS BEEN IN A RATHER LONELY POSITION, THEY ARE SEEKING US SUPPORT ALON THE SAME LINES ON THIS ISSUE THAT THE UNITED STATES IS SEEKING SUPPORT IN AVOIDING BEING ISOLATED ON THE FINNISH ISSUES, THOUGH THEY UNDERSTAND THAT US INVOCATION OF GATT ARTICLE XXXV LIMITS THE EXTENT OF US INTERVENTIONS.

8. THE COMMISSION OFFICIALS ASK IF THE UNITED STATES CAN GIVE THEM SOME INDICATION OF THE APPROACH IT WILL ADOPT AT THE NEXT MEETING OF THE WORKING PARTY ON THE ROMANIAN TARIFF. THEY WOULD BE HAPPY TO RECEIVE THE RESPONSE EITHER AT BRUSSELS OR GENEVA. GREENWALD

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